

The Loan Arranger



Spring/Summer 1998

Municipal Facilities Section - Environmental Assistance Division
Michigan Department of Environmental Quality **DEQ**

DWRF Project Planning by Jill Keisling

Now that the Municipal Facilities Section (MFS) has had the opportunity to consider project plans submitted for both Fiscal Year (FY) 1998 and FY1999 funding, we thought it important to briefly address some of the fundamentals of project planning in the DWRF program. In essence, it is important that water suppliers address project planning in a comprehensive manner, rather than merely submitting a piecemeal plan or "laundry list" of project components. This has been a problem with many of the plans submitted to date.

First, the applicant must delineate a project study area that recognizes all the drinking water problems and needs (current and future) that can be reasonably and logically addressed by one or more feasible projects. The project plan consequently involves a system-wide evaluation of the drinking water needs and adequately addresses all of them.

Following the identification of needs, the project plan must include an analysis of alternatives to address these problems. The analysis must be a systematic evaluation of alternatives, rather than a reliance on preferences or instincts. In the evaluation of alternatives, the water supplier should consider the objectives of the project, including the needs, technical constraints, and applicable drinking water standards or requirements to be met. The widest variety of potential alternatives should be identified and screened, including regionalization. In other words, do not submit a select number of items from your capital improvements plan, if a thorough analysis of those items has not been completed.

Finally, the project plan must consider appropriate sizing of the selected alternative. Part 54 of 1994 PA 451 clearly states that DWRF funds cannot be used to expand a water system if the primary purpose of the expansion is to accommodate future development. However, the DWRF program also requires that water

suppliers utilize a 20-year planning period in the development of project plans so that the project does not become obsolete shortly after going into service. This is one reason 20-year population projections are required.

Consider the following example: A project plan indicates the watermains used in the distribution system rehabilitation are sized to accommodate future needs of the service area based on 20-year population projections. Sizing the watermains to provide sufficient capacity for these needs is required, and is eligible for DWRF assistance. In addition, the water supplier wishes to extend watermains to an area that is currently undeveloped, yet expected to contain at least two new subdivisions within the next five years. Such an extension is ineligible for DWRF assistance as the provision of drinking water facilities to undeveloped areas does not address an existing need, and is likely to induce or facilitate secondary development. The MFS is concerned about secondary growth and development, and will evaluate the potential for such impacts during review of all submitted project plans. If an entire project plan appears to be primarily for growth, it will not be included on the Project Priority List (PPL) for funding. During the course of further review of plans included on the PPL, portions of a project (e.g., distribution system components) may be deemed ineligible for DWRF financing if it is determined that those portions are primarily for growth.

If you have questions about these or any other project planning elements, please contact your DEQ project manager.

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Michigan Department of Environmental Quality

1999 FINANCING SCHEDULE
for the State Revolving Fund (SRF) and the
Drinking Water Revolving Fund (DWRF)

	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Part I of Application Due	09/04/98	12/04/98	03/01/99	06/01/99
Part II of Application Due FNSI Clearance Plans & Specs Approved User Charge System Approved	10/02/98	01/08/99	04/02/99	07/02/99
Bid Ad Placed No Later Than	10/03/98	01/09/99	04/03/99	07/03/99
Part III of Application Due Bid Data Submittal	11/12/98	02/19/99	05/14/99	08/20/99
DEQ Order of Approval Issued	11/24/98	03/05/99	05/25/99	09/03/99
Borrower's Pre-Closing with MMBA*	12/10/98	03/18/99	06/10/99	09/16/99
MMBA CLOSING	12/17/98	04/01/99	06/24/99	09/30/99

*In addition to MMBA requirements, all municipal bond sales must be reviewed and approved by the Local Audit and Finance Division of the Michigan Department of Treasury.

AN APPROVABLE APPLICATION FOR AN SRF/DWRF LOAN MUST INCLUDE:

1. A completed SRF/DWRF application (Parts I, II, and III) including all required application information and assurances.
2. A detailed project description, cost breakdown, and project schedule.
3. Financial documentation to demonstrate ability for timely repayment of the loan and other assurances required by the application. (Part I)
4. An approved User Charge System. (Part II)
5. An approved Project Plan. (Part II)
6. A set of plans and specifications suitable for bidding, including DEQ construction permit. (Part II)
7. A certified resolution from the applicant designating an authorized representative. (Part II)
8. If applicable, all executed intermunicipal service agreements. (Part II)
9. Verification that the project has been advertised for bids or other appropriate procurement action. (Part II)

The Wellhead Protection Grant Program by Elgar Brown, DWRPD

In the last *Loan Arranger* Jim Cleland's article described the Drinking Water Revolving Fund (DWRF) set asides in general. Set asides are allowable state expenditures of the DWRF that must be directed to designated programs such as Administration, Operator Certification, Source Water Assessments, Capacity Development, Wellhead Protection, and Source Water Protection.

The Wellhead Protection set aside will be used to develop a state Wellhead Protection Grant Program. The state is allowed to use up to 10 percent of the DWRF in any one year for this set aside. Michigan will use up to \$1 million per year, but will not use the full 10 percent for any of the years projected at this time, and will provide funding into the future for the Wellhead Protection Grant Program. Initial plans provide for at least five years of funding at this level, but the program is projected to last well beyond this.

Any public water supply will be eligible for this funding. The grant program will require a 50 percent local match. This match must be money that has been, or will be expended on wellhead protection, and it must be accountable. The size of grants available will be based on population served and the number of wells used by the system. Development of a local wellhead protection team will be a grant condition. A scoring system will determine priority of projects for funding, but all eligible systems will be funded before any system receives a second round of funding.

The grant program is primarily intended to support the establishment of wellhead protection programs. However, for those communities who already have a state-approved program, grants will be available for implementation tasks.

Administrative rules for the program have been drafted and are in the approval process. The draft rules can be viewed on the Drinking Water and Radiological Protection Division's home page under the Ground Water Section, Wellhead Protection Unit.

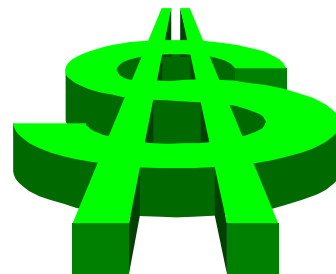
A hearing for the rules is to be held **June 12, 1998**. Training sessions will be held at various locations in the state to provide information on completing applications for the program and to answer other program questions. Notices will be sent to public water supplies on the details of these sessions once they have been developed.

If you have questions concerning the program, please contact Steve Miller, Chief of the Wellhead Protection Unit, at 517-335-8174.

Drinking Water Project Priority List by Ed Moyer

The Department of Environmental Quality (DEQ) recently held a public hearing on the draft Fiscal Year 1998 Project Priority List (PPL) and Intended Use Plan (IUP) for the Drinking Water Revolving Fund (DWRF). Upon the conclusion of the public comment period, Municipal Facilities Section staff responded to issues that were raised, and then finalized the PPL and IUP.

The final PPL includes 41 projects totaling \$117,110,000. Of these, 28 projects (\$71,645,000) stated their intentions to proceed with funding from the DWRF prior to September 30, 1998. Since there is a federal requirement that at least 15 percent of the funds available in the DWRF be used for water suppliers serving populations of fewer than 10,000 persons, Michigan must reach or exceed \$14.6 million in commitments to smaller communities. Presently, almost 60 percent of the available funds are targeted to be loaned to small communities.



Based on the availability of approximately \$75 million in federal and state funds, all projects with binding commitment dates falling in Fiscal Year 1998 have been included in the fundable range.

An applicant must complete a series of steps necessary to secure a final loan commitment. These include design work (a set of plans and specifications suitable for bidding), development and approval of a revenue collection system which demonstrates sufficiency of funds to operate and maintain the waterworks and retire the debt, and a demonstration of an investment grade bond rating. In addition, the DEQ must issue a *Finding of No Significant Impact*.

Based on past history, some waterworks projects are likely to be delayed and carried over into the next fiscal year. If the funds available in Fiscal Year 1998 are not fully committed, they will be carried over into Fiscal Year 1999 and used to provide assistance to water suppliers identified in the PPL and IUP for that year.

The final Fiscal Year 1998 DWRF PPL is available upon request from the Municipal Facilities Section at 517-373-2161.

Here We Go, Again!

by Ed Moyer

Just as we finished the final Fiscal Year (FY) 1998 PPL and IUP, the due date for submitting project plans for the draft FY1999 PPL passed. The reason this occurred was due to the desire of the DEQ to offer DWRF loans as quickly as possible. Thus, rather than opening the doors for first loans in FY1999, Municipal Facilities Section (MFS) staff geared up to provide loan commitments during the last two quarters of FY1998.

In the interest of serving our customers, the MFS has had to work through many issues to "water-ize" the wastewater State Revolving Fund (SRF). While staff was still completing this task, the May 1 due date for submission of project plans from water suppliers vying for inclusion in the FY1999 PPL came and went. In its aftermath, the MFS was left with 33 additional project plans to review for completeness, score for priority points, and either place on the FY1999 PPL, or explain to the supplier why their project could not be included.

Notable in this mix was the delivery of two project plans from private water suppliers. The DWRF is different from the SRF in that non-public entities are defined in 1997 PA 26, Part 54 of the Natural Resources and Environmental Protection Act, as being eligible to receive loan assistance. The MFS will continue to work closely with these projects to help them (and us) learn how to successfully compete with public water suppliers for available funding.

The DEQ anticipates holding a public hearing on the draft FY1999 PPL and IUP in mid-to-late August. The exact date and location will be announced later in the DEQ calendar and in selected newspapers across the state. In addition, each applicant and their consultants will receive a copy of the public notice, as will the entire *Loan Arranger* mailing list.

Questions about the PPL process may be directed to your MFS project manager.



Arrivals and Departures

by Dave Krusik

We are pleased to announce the arrival of several new employees in the Municipal Facilities Section.

Carla Winegar: Ms. Winegar has joined the Municipal Facilities Section (MFS) to serve as secretary for the West Unit. Carla arrived just in time to provide much-needed secretarial firepower to ease the workload in the SRF, along with the mid-year rush of new Drinking Water Revolving Fund projects. Carla is a graduate of Davenport College.

Leslie E. Smith, III: Mr. Smith comes to the East Unit of the MFS as an Environmental Quality Analyst (EQA) (project manager) from the DEQ Air Quality Division where he worked for 4.5 years. Prior to his employment with Air Quality, Mr. Smith was a project manager in the DEQ Superfund program. He is a 1992 MSU graduate, receiving a B.S. in Resource Development. His hobbies, when time allows, include fishing and working on his model railroad.

Marshall Labadie, a recent Resource Development graduate from MSU, joins the section's East Unit as an EQA (project manager) after a short stay with the National Wildlife Federation. There he worked within the Education and Outreach Department serving as the Backyard Habitat Specialist. While attending MSU, he focused his studies on land resource economics and water resource management. In his free time, Marshall enjoys backpacking, canoeing, sailing, and several other outdoor recreation activities.

Karen K. Edlin: Prior to joining the West Unit of the MFS as an EQA (project manager), Ms. Edlin was employed as a project manager with an environmental consulting firm located in the Lansing area. A 1990 graduate of CMU, Ms. Edlin's professional career has involved scheduling and supervising UST modification and replacement activities, as well as conducting field investigations consisting of soil and groundwater sampling and analysis; top of casing surveys; analysis, delineation and characterization of migratory plumes; mitigation and recovery of free-phase product; hazardous waste compliance; and the subsequent data evaluation for potential closure or remediation on sites of environmental contamination.

Lisa Anderson: Ms. Anderson, a Wayland, Michigan native, joins the West Unit of the MFS as an EQA (project manager). She comes to us from the Mid-Michigan District Health Department in Montcalm County where she worked as a Sanitarian issuing well and septic permits, etc. Lisa received her Master's degree in Geology/Hydrology in 1996 from WMU. She earned her Bachelor's degree in Geology in 1994 from MSU. While at WMU, she focused her studies on agriculturally impacted aquifers and interactions between groundwater

and wetlands. Currently, Lisa is busy raising two very active, 9-month-old German Shepherd-mix puppies, which she rescued from the animal shelter.

Kelie Caudell: Ms. Caudell is a 1976 graduate of MSU with a dual major in Environmental Science and Secondary Education, and a 1991 graduate of Grand Valley State University in English. She spent four years with the City of Lansing before joining the Air Quality Division as a Resource Specialist. During the economic downturn of the early 80s, Kelie took a leave of absence and moved to "bush Alaska" where she worked for US Fish & Wildlife, was a substitute teacher, and wrote for a weekly newspaper. Eight years and 2 kids later she move back to Michigan and taught high school for five years before joining the Department of Transportation as a limited-term permit coordinator in 1995. She was hired permanently as a permit writer by the DEQ Surface Water Quality Division in 1996, and recently transferred as an EQA (project manager) into the West Unit of the MFS, where she looks forward to assisting applicants with their SRF and DWRF projects. Kelie also likes hunting, fishing, skiing, volleyball, and golf.

Steven Kulesia: Mr. Kulesia, a long-time project manager in the MFS, has taken a promotion to serve as the coordinator for the Michigan Business Pollution Prevention Partnership (MBP3) program within the Environmental Assistance Division. Steve played a major role in launching the new Drinking Water Revolving Fund program in the MFS. Though we will miss his expertise, we wish him well in his new endeavor.

Public Participation

by Edwyna McKee

Following is a portion of an article that was published in the Winter 1998 issue of the Loan Arranger. We felt it was worth printing again, because some of the May 1 Drinking Water project plan submittals still had some of these same deficiencies.

Part 54, 1994 PA 451 specifies what a complete project plan must include. Municipal Facilities Section staff made the Project Plan Preparation Guidance available in September 1997, which explained the law. ***If you need a copy of this guidance, please call the Municipal Facilities Section at 517-373-2161.***

One of the most common misunderstandings in project plan submittals involved public participation requirements. The language in Part 54 was intended to ensure that each applicant had provided proper public notice of

the proposed project to the affected community. The following steps must be taken to ensure adequate public participation.

- The applicant must hold a public hearing on the proposed project. The date, time, and place chosen must be conducive to maximizing public input opportunities. An early morning or noontime hearing may not afford the public an adequate opportunity to attend. Similarly, scheduling a hearing on or near a holiday may not maximize public participation in the decision-making process.
- The public hearing needs to be advertised at least 30 days in advance. The advertisement should be placed in one or more publications of local circulation in order to reach the greatest number of affected parties. Using the local newspaper, as well as posting the notice at the water supplier's or municipal/township offices, or direct mailing to system customers is recommended.
- The draft project plan should be available to the public for examination for at least 30 days prior to the hearing, with the location of its availability mentioned in the advertisement. Typically, the applicant displays the plan, and may be able to answer questions prior to the hearing.
- A verbatim written transcript or an audio recording of the entire public hearing should provided with the project plan submittal. Summaries or meeting minutes are not complete records of the hearing, and are unacceptable.
- Changes to the draft project plan resulting from public concerns should be described in detail in the final submittal.
- An attendance list from the public hearing, including names and complete addresses, is required to be submitted.
- Copies of all written public comments on the project, along with the applicant's responses, must be submitted.

After concluding the public participation process, the final plan must contain a resolution of adoption from the governing body of the participating municipality(ies), or a statement of intent from a water supplier who is not a municipality. This resolution must occur only after the public hearing has been held.

Documentation of the public participation process is only one critical component of an acceptable final project plan.

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ENVIRONMENTAL ASSISTANCE DIVISION
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
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MUNICIPAL FACILITIES SECTION

Thomas Kamppinen, Chief
Dave Krusik, East Unit Chief
Chip Heckathorn, West Unit Chief
Ed Moyer, Technical Support Unit Chief
Telephone: 517-373-2161 Fax: 517-335-0743
INTERNET: www.deq.state.mi.us/ead/mfsect/

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Correspondence may be addressed to *The Loan Arranger* Editor:

MUNICIPAL FACILITIES SECTION
ENVIRONMENTAL ASSISTANCE DIVISION
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
PO BOX 30457
LANSING MI 48909-7957

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